

Company Number: 3636853

**Investec Holdings (UK) Limited**  
**(formerly Investec Group (UK) Limited,**  
**formerly Broadheath Investments Limited)**

Report and Financial Statements  
31 March 1999



# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

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## Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

### SALIENT FEATURES OF THE INVESTEC UK GROUP

#### SALIENT FEATURES

	<b>1994</b> <b>£000</b>	<b>1995</b> <b>£000</b>	<b>1996</b> <b>£000</b>	<b>1997</b> <b>£000</b>	<b>1998</b> <b>£000</b>	<b>1999</b> <b>£000</b>
<b>Operating income</b>	7,403	8,615	13,203	21,370	47,406	* 47,333
<b>Shareholders' equity</b>	12,324	14,599	54,449	57,502	78,324	467,588
<b>Capital resources</b>	34,823	37,099	112,997	124,450	163,396	553,676
<b>Total assets</b>	273,520	300,540	5,250,050	5,368,677	5,169,051	6,351,644
<b>Staff complement</b>	68	76	126	368	399	1,148

\* Results for three months ended 31 March 1999.

*Investec UK Group companies were effectively consolidated under the new UK holding company on 31 December 1998. Comparative figures from 1994 to 1998 are from the audited consolidated financial statements of the predecessor UK holding company, Guinness Mahon Holdings Limited (formerly Investec Holdings (UK) Limited), Registration Number – 2685988 ENGLAND.*

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

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## DIRECTORATE AND CORPORATE INFORMATION

### BOARD OF DIRECTORS

H S Herman (Chairman)\*  
B Kantor  
S Koseff\*  
A Tapnack

### SECRETARY

R J Vardy

### AUDITORS

Ernst & Young, London  
Registered Auditor

### COMPANY REGISTRATION

Registration Number: 3636853 ENGLAND  
Registered Office:  
2 Gresham Street, LONDON, EC2V 7QP

### INVESTEC BANK (UK) LTD

B Kardol (Chairman) \*  
B K Kalkhoven (Managing Director)  
J Abell \*  
P K O Crosthwaite  
H S Herman\*  
D M J Hickey  
M A Jameson-Till  
B Kantor \*  
I R Kantor\*  
S Koseff\*  
A Tapnack  
C Wakelin\*  
I R Wohlman

### SECRETARY

R J Vardy

### CARR SHEPPARDS CROSTHWAITE LTD

F C Carr (Managing Director)  
N W Bagshawe  
C Brangwin  
A J Burr  
P T Crosthwaite  
G D O Davenport  
A G Evans  
H S Herman\*  
C P Hills  
B Kantor\*  
S Koseff\*  
T May  
G Nowell-Mitchell  
M A Pickford  
M J S Redmayne  
A T G Richards  
A Tapnack\*  
R J B Yeldham

### SECRETARY

M J S Redmayne

### INVESTEC GUINNESS FLIGHT LTD

H E Flight (Joint Chairman)  
T W N Guinness (Joint Chairman)  
H J du Toit (Chief Executive)  
W T J Griffin\*  
D L Liddell  
A E Martin Smith

### SECRETARY

M K Slade

\*Non-Executive

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## DIRECTORS' REPORT

The directors present their report and financial statements for the period from the date of incorporation 23 September 1998 to 31 March 1999. The Company was incorporated under the name Broadheath Investments Limited, which was changed to Investec Group (UK) Limited on 19 January 1999 and on 31 March 1999 to Investec Holdings (UK) Limited.

### Principal activities

The principal activities of the Investec UK Group are banking and financial services. During the year the Investec Group South Africa made various acquisitions which necessitated the restructuring of the Group's operations in the United Kingdom. As a consequence of this, the Company, which was incorporated on 23 September 1998 with a fully paid up share capital of £2, became the holding company for the Investec UK Group in December 1998 and the share issues giving effect to this are noted below.

### Share capital

During the period the following changes occurred: -

- (a) On 16 December 1998 386,999,998 shares of £1 each were issued at par to Investec Group Limited as consideration for the purchase of Investec Group (UK) PLC (formerly Guinness Mahon Holdings PLC); and
- (b) On 30 December 1998 75,332,020 shares of £1 each were issued at par to Investec Finance SA as consideration for the purchase of Guinness Mahon Holdings Limited (formerly Investec Holdings (UK) Limited).

### Results and dividends

The results for the period are shown on page 11. Movements in reserves are shown in note 25 to the financial statements. The directors do not recommend the payment of a dividend in respect of the period ended 31 March 1999.

### Directors and their interests

The current directors of the Company are listed on page 2, reflecting the changes during the period given below.

<i>Director</i>	<i>Date of appointment</i>	<i>Date of resignation</i>
Mr Hugh S Herman	26 March 1999	-
Mr Barry K Kalkhoven	10 November 1998	26 March 1999
Mr Bernard Kantor	26 March 1999	-
Mr Stephen Koseff	26 March 1999	-
Mr Ian Packer	9 December 1998	12 March 1999
Mr Alan Tapnack	10 November 1998	-
Mr Richard J Vardy	9 December 1998	26 March 1999

None of the directors had any interest in the shares of the Company or in any group companies requiring disclosure under Schedule 7 of the Companies Act 1985.

### Creditor payment policy

The Group's standard practice is to agree the terms of payment with suppliers at the time of contract and to make payments within the agreed credit term subject to satisfactory performance.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

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## DIRECTORS' REPORT

### Year 2000 compliance

As has been widely documented, many computer and digital storage systems express dates using only the last two digits of the year. Such systems will require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

The Group identified the Year 2000 issue several years ago and has had a project team working on this problem since late 1996. This team is sponsored at the highest level within the Group and regular status reports are delivered to senior management. The Group has completed a comprehensive inventory of all systems identifying business critical software to ensure that these systems will function properly over the period of the century date change. Additionally, the Group is actively engaged in reviewing the status of all counter parties to ensure, as far as possible, that it is *not vulnerable to failures in clients' or business partners' systems*.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will occur. However, the Group will commit all necessary resources to minimising these risks. Contingency plans are being developed for all parts of the business and are scheduled to be in place well before the millennium rollover.

The expenses incurred on the project largely comprise internal staff costs. These costs have been, and will continue to be, absorbed within the ordinary operating expenditure of the Group.

### Employees

The Group's policy is to recruit and promote on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants. In the event of employees becoming disabled every effort is made to ensure their continued employment. The Group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Group's operations, and motivating staff involvement in the Group's performance by means of Employee Share Schemes.

### Environment

The Group is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice among its employees and within the communities in which it operates.

### Auditors

Ernst & Young have expressed their willingness to continue in office as auditors. A resolution proposing their re-appointment as auditors will be submitted to the annual general meeting.

By order of the board



Secretary  
10 August 1999

# Investec Holdings (UK) Limited

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Investec Holdings (UK) Limited

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## RISK MANAGEMENT REVIEW

Risk Management for the Investec UK Group is a function that covers all of Investec's UK businesses, including Investec Bank (UK) Limited, a retail and wholesale bank, Carr Sheppards Crosthwaite, a private client stockbroker and Investec Guinness Flight, an asset / fund manager. The function aims to promote a culture of risk awareness throughout the business and provide general management with appropriate information so that all risks are fully understood, correctly measured and prudently managed.

Carr Sheppards Crosthwaite Limited and Investec Guinness Flight Limited have main committees which address risk management in those businesses. They cover all matters of risk including client credit matters, settlement risk, cash management and placement, counterparty and market risk, and new products and issues. They also have a broader remit to safeguard the assets of the business and to manage internal and external risks within limits and guidelines acceptable to the business. Their functions are therefore similar to those described below for the Bank but are accumulated in fewer committees in number than those of the Bank because of the greater range of specific areas of risk of the Bank, each needing to be addressed by its own committee.

The Bank's businesses can be segregated into four main areas:

- Commercial and Private Banking
  - Lending and deposit taking
- Wholesale Markets
  - Money market, gilt repo, foreign exchange and equity borrowing and lending
- Corporate Finance and Institutional Broking
- Property and Equity investment

Risk Management reports to the Chief Executive Officer and has a strong interface with Group Risk in Johannesburg. Group Risk assist in the evaluation of certain larger transactions, participate in various UK committees and are jointly involved in development of the Bank's risk systems.

There is an established framework for managing the risks associated with these activities which is constantly evolving to meet the Bank's changing business activities, markets, products and technological developments.

The main Risk Management fora are as follows:

### *Credit Committee*

This forum sanctions all counterparty limits, country limits, trading limits and liquidity policies. It regularly reviews loan performance, adequacy of provisions and ensures credit policy is prudent taking into account changing market trends.

### *Asset and Liability Committee*

This forum sets the policy for liquidity and interest rate mismatch. It regularly reviews the Bank's balance sheet to ensure it is prudently positioned, taking into account agreed policies, prevailing markets and projections in the growth of the business.

### *Risk Committee*

This forum regularly reviews the broader risks that the Group faces across its various business units to ensure risks are evaluated correctly, managed properly and receive appropriate resource.

# Investec Holdings (UK) Limited

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## RISK MANAGEMENT REVIEW

### *Audit Committee*

This forum reviews the internal audit programme and completed internal and external audit reports. It considers the major findings and ensures appropriate recommendations are actioned. It reviews the annual financial statements, making appropriate recommendations to the Board of Directors. It ensures that adequate arrangements are established by management to comply with regulatory and financial reporting requirements.

### *Product Forum*

This forum manages a process so that before any new product is developed, or a new market entered, all business risks are evaluated and managed properly. Regulatory requirements, taxation, systems development and operational risks are considered.

### *Engagement and Underwriting Committees*

These fora relate to the Corporate Finance area of the Bank. The Engagement Committee ensures proper due diligence on clients is carried out before any relationship is commenced. The Underwriting Committee ensures all relevant risks are evaluated and the proposed share underwriting meets internal policies and regulatory requirements before commitment is made.

The major risks associated with the Bank's businesses are:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

### *Credit Risk*

Credit Risk is the risk that companies, financial institutions, clients and other counterparties will be unable to meet their obligations to the Bank and the Group. Credit risk arises principally from lending but also from other transactions involving on and off balance sheet instruments.

Risk Management has responsibility for developing and implementing policies to ensure that all exposures are properly measured and controlled. These will include geographic, product, market and individual counterparty concentrations. All exposures are checked daily against approved limits, independently of each business unit and are reported to the Executive of the Bank.

Arrears policy is strictly controlled. The size of the balance sheet is such that it is possible to look regularly at each individual exposure to evaluate if specific provisions are necessary and adequate. Additionally, a general provision is held to cover any unforeseen events, always inherent in taking counterparty exposures.

Overall, the Bank is focused in the type of business it pursues and is considered expert in its chosen sectors. The majority of lending, excluding interbank placements, is secured on assets and is amortising.

The main geographical credit exposure is to the UK domestic market, the EEC and the United States of America. There is minimal exposure to South Africa and no exposure to other emerging markets.

# Investec Holdings (UK) Limited

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## RISK MANAGEMENT REVIEW

### *Liquidity Risk*

Liquidity is managed to ensure the ability of the Bank to meet the demands of customers for additional borrowing and to replace existing deposits as they mature or are withdrawn.

Liquidity policy covers sterling and currency activities. Limits are placed upon the value of deposits taken from a single source, monthly and in aggregate. The mismatch of liabilities to assets as a percentage of total deposits is well within that required by the Financial Services Authority under its Liquidity Guidelines.

A maturity ladder analysing the inward and outward cash flows is produced daily to ensure compliance with internal policy and regulatory guidelines. Limits are also placed on deposits from and to inter-Group companies.

Risk Assets in the Private Bank generally are not funded by inter bank or wholesale deposits. Strategically, reliance is placed upon the retail and private client base as the principal source of stable and well diversified funding for the Private Banking assets. Conversely, wholesale assets are not funded by Private Bank deposits.

### *Market Risk*

Market Risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse impact on the Bank's and the Group's financial condition or results.

#### A. Currency risk

Any currency risk arising from the Bank's commercial banking and lending activities in the banking book is transferred to, and managed within the limits of, the trading book using forward foreign exchange contracts. The Bank's overnight limit for net aggregate open positions in foreign currency is \$5m.

The Bank does have certain investments in foreign subsidiaries. These currency investments are not currently hedged and at period end these investments amounted to £5,223,000 (Swiss Francs - £4,862,000 and US Dollars - £361,000).

#### B. Interest rate risk

The Bank is exposed to interest rate risk within its money market and gilt repo trading operations. This risk arises from interest rate volatility at the shorter end (less than 12 months) of the yield curve. All instruments have a maturity of less than 12 months. The net exposure is measured in terms of the number of equivalent short sterling futures contracts required to hedge the risk. The current overall limit is set at a maximum of 2,000 open contracts and a minimum of zero. This is equivalent to a loss of £1,250,000 for an upward parallel movement of 50 basis points. A committee, which includes a manager of the risk department, sets target limits. As at period end the equivalent short sterling futures contract exposure was 1,877 contracts. The highest exposure during the period was 1,979 contracts and the average for the period was 845 contracts.

Towards the end of the period Group Risk, in conjunction with UK Risk Management, implemented statistically based Value at Risk (VaR) measurement on the UK trading book. As at period end the VaR equated to £786,792. This value is an estimate, with a 95% level of confidence, of the potential loss that might arise if the current positions were to be held unchanged for one business day.

Additionally, the Bank and the Group are exposed to interest rate risk on its banking book due to mismatches between the re-pricing dates of assets and liabilities. This risk is monitored daily and must fall within agreed limits.

# Investec Holdings (UK) Limited

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## RISK MANAGEMENT REVIEW

The interest rate mismatch on the Group's banking book, including the effect of interest rate contracts used for hedging purposes, as at the year-end is stated in the table below.

<b>£000</b>	<b><u>0 - 1</u></b>	<b><u>&gt;1 - 3</u></b>	<b><u>&gt;3 - 6</u></b>	<b><u>&gt;6 - 9</u></b>	<b><u>&gt;9 - 12</u></b>	<b><u>&gt; 12</u></b>	<b><u>TOTAL</u></b>
	<b><u>month</u></b>	<b><u>months</u></b>	<b><u>months</u></b>	<b><u>months</u></b>	<b><u>Months</u></b>	<b><u>months</u></b>	
<b><u>ASSETS</u></b>							
Cash and short term funds	175,300	0	0	0	0	0	175,300
Debt securities	167,193	93,619	11,829	0	0	0	272,641
Loans and advances to banks	115,271	0	0	0	0	0	115,271
Loans and advances to customers	380,555	24,004	2,104	1,426	2,386	10,861	421,336
	<b>838,319</b>	<b>117,623</b>	<b>13,933</b>	<b>1,426</b>	<b>2,386</b>	<b>10,861</b>	<b>984,548</b>
<b><u>LIABILITIES</u></b>							
Deposits by banks	125,148	38,513	4,686	0	0	0	168,347
Customer deposits	483,941	25,358	6,635	9,156	20,761	31,928	577,779
Subordinated debt	0	0	0	0	0	85,072	85,072
Capital and net non-rate items	0	0	0	0	0	153,350	153,350
	<b>609,089</b>	<b>63,871</b>	<b>11,321</b>	<b>9,156</b>	<b>20,761</b>	<b>270,350</b>	<b>984,548</b>
<b>Mismatch</b>	<b>229,230</b>	<b>53,752</b>	<b>2,612</b>	<b>(7,730)</b>	<b>(18,375)</b>	<b>(259,489)</b>	
<b>Cumulative mismatch</b>	<b>229,230</b>	<b>282,982</b>	<b>285,594</b>	<b>277,864</b>	<b>259,489</b>	<b>0</b>	

### *Operational Risk*

Operational risk is the risk of unforeseen losses due to systems failure, human error or inadequate controls and procedures. Internal Audit carries out a regular review of all operational areas to ensure operational risks are being properly controlled. Additionally, contingency plans are in place to enable business continuity in the event of serious disruptions to business operations.

### *General*

Risk Management has representation on all the major strategic and operational fora within the UK Group. It is an integral part of the development of the Bank and there is commitment to both human and technical resource to ensure it has sufficient capability to effectively manage a growing organisation.

**Investec Holdings (UK) Limited**  
(formerly Investec Group (UK) Limited, formerly Broadheath investments Limited)

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**REPORT OF THE AUDITORS**

**To the shareholders of**

**Investec Holdings (UK) Limited:**

We have audited the financial statements on pages 11 to 34, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 14 to 17.

**Respective responsibilities of Directors and Auditors**

As described on page 5, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

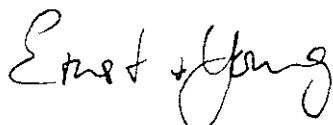
**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 March 1999 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
London  
11 August 1999

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period ended 31 March 1999

	Notes	1999 £000
Interest receivable – interest income arising from debt securities		47,965
Interest receivable – other interest income		52,105
Interest payable		(90,086)
Interest expense on subordinated loans		(1,888)
<b>NET INTEREST INCOME</b>		<b>8,096</b>
Fees and commissions receivable		25,036
Dealing income	2	1,445
Other operating income		12,756
<b>OPERATING INCOME</b>		<b>47,333</b>
Administrative expenses	3	(33,850)
Depreciation and amortisation		(494)
Provision for bad and doubtful debts	11	(412)
Amortisation of goodwill		(2,884)
		9,693
Share of income of associated companies	13	593
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>10,286</b>
Tax on profit on ordinary activities	5	(3,421)
<b>RETAINED PROFIT FOR THE PERIOD</b>		<b>6,865</b>

All of the profit on ordinary activities before taxation relates to acquisitions.

Movements in the profit and loss account and reserves are shown in note 25.

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the period ended 31 March 1999

	1999 £000
Retained profit for the period	6,865
Revaluation of investment properties	(1,783)
Increase in legal and other reserves	231
Currency translation differences on foreign currency net investments	(57)
<b>TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD</b>	<b>5,256</b>

# Investec Holdings (UK) Limited

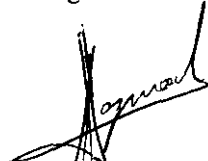
(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## CONSOLIDATED BALANCE SHEET

at 31 March 1999

	Notes	1999 £000
<b>ASSETS</b>		
Cash and balances at central banks	7	443,885
Treasury bills and other eligible bills	8	62,405
Loans and advances to banks	9	722,187
Loans and advances to customers	10	1,010,722
Debt securities	12	3,459,020
Investments in associated undertakings	13	7,234
Equity shares	15	86,060
Investment properties	16	72,465
Intangible fixed assets	17	172,108
Tangible fixed assets	18	33,228
Other assets	19	282,330
		<u>6,351,644</u>
<b>LIABILITIES</b>		
Deposits by banks	20	3,058,927
Customer accounts	21	1,982,427
Other liabilities	22	756,614
		<u>5,797,968</u>
<b>CAPITAL RESOURCES</b>		
Subordinated debt	23	85,072
Minority interests – equity		1,016
Equity shareholders' funds	26	467,588
Called up share capital	24	462,332
Other reserves	25	(1,978)
Profit and loss account	25	7,234
		<u>553,676</u>
		<u>6,351,644</u>
<b>MEMORANDUM ITEMS</b>		
Contingent liabilities	28	33,518
Commitments	29	248,036
		<u>281,554</u>

The financial statements on pages 11 to 34 were approved by the Board of Directors on 10 August 1999 and signed on its behalf by:

  
Director

  
Director

# Investec Holdings (UK) Limited

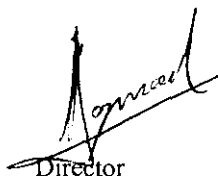
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## BALANCE SHEET

at 31 March 1999

	Notes	1999 £000 Company
<b>ASSETS</b>		
Shares in Group undertakings	14	462,332
		<u>462,332</u>
 <b>SHAREHOLDERS' EQUITY</b>		
Equity shareholders' funds	26	462,332
Called up share capital	24	462,332
Profit and loss account		-
		<u>462,332</u>

The financial statements on pages 11 to 34 were approved by the Board of Directors on 10 August 1999 and signed on its behalf by:

  
Director

  
Director

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 1. ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below.

#### **Basis of presentation in the 1999 Annual Report**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets. These financial statements have been prepared in compliance with Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985 in accordance with applicable accounting standards.

#### **Basis of consolidation**

The Group financial statements consolidate the financial statements of Investec Holdings (UK) Limited and its subsidiary undertakings made up to 31 March 1999. As a result of the introduction of FRS 10 'Goodwill and Intangible Assets', goodwill arising on consolidation (representing the difference between the fair value of the consideration given and the fair value of the separable net assets acquired) is now capitalised as an intangible fixed asset and amortised on a straight line basis over its expected useful life, subject to maximum period of 20 years.

#### **Investments in subsidiaries**

Investments in subsidiaries are shown at cost less any permanent diminution in value.

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated into sterling at the exchange rates ruling at the time of the transactions. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

In the Group accounts, exchange differences on translation of the opening net assets of foreign subsidiaries are taken to reserves.

#### **Income and expense recognition**

Interest receivable and payable is accrued over the period of the related loans and deposits. Interest receivable which is overdue and in the view of management may not be collected, is removed from income and suspended. Fees and commissions are credited to income at the time they are received, at which point they are deemed to have been earned.

#### **Tangible fixed assets**

Fixed assets are stated at cost, less depreciation provided on a straight line basis at rates calculated to write off the assets over their anticipated useful lives. Premiums on leases are stated at cost and are amortised over the unexpired period of the lease. The depreciation rates used are as follows:

Leasehold property	-	Over the remaining period of the lease
Leasehold improvements	-	10%
Computer hardware and software	-	20% to 33%
Furniture and fittings	-	20%
Motor vehicles	-	25%

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 1. ACCOUNTING POLICIES (CONTINUED)

#### **Investment properties**

In accordance with SSAP 19, 'Accounting for investment properties', investment properties are included in the balance sheet at their open market value in existing use and are revalued annually. Changes in market value are reflected in an investment revaluation reserve, except where the property is permanently impaired, when the loss is taken directly to the profit and loss account. No depreciation is provided in respect of investment properties.

This treatment may be a departure from the Companies Act 1985 provisions for the depreciation of fixed assets in respect of certain of these properties. However, such properties are not held for consumption, but for investment. The directors consider systematic annual depreciation would be inappropriate and this policy is necessary for the financial statements to give a true and fair view. Depreciation is only one amongst many factors in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified.

#### **Securities**

Investment securities are stated at cost with any premium or discount, representing the difference between cost and redemption proceeds, being amortised over the period to redemption.

*Dealing and market making securities are stated at market value.*

*Repurchase agreements are treated as loans and deposits collateralised by negotiable securities. Accordingly, securities sold under agreements to repurchase are treated as assets and the related obligation as a liability. Conversely, securities purchased under agreements to resell are not treated as assets but instead the related advance is included as an asset.*

Wholesale money market loans and deposits are stated at market value and profits and losses arising from this revaluation are taken to the profit and loss account.

#### **Netting**

Sale and repurchase transactions where the assets and liabilities are not separate, as defined by FRS 5 - Reporting the Substance of Transactions, have been netted and the resultant net liability is included on the balance sheet.

#### **Equity shares**

Equity shares are investments other than debt securities and are stated at cost less provision for any permanent diminution in value.

#### **Stock borrowing and lending**

Stock borrowing and lending transactions are reflected in assets and liabilities to the extent that the respective collateral given or received is in cash. Transactions against non-cash collateral are disclosed in note 27 to the financial statements.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 1. ACCOUNTING POLICIES (CONTINUED)

#### **Loans and advances**

Commercial loans and advances are stated in the balance sheet after deduction of amounts, which, in the opinion of the directors, are required as specific or general provisions.

Specific provisions are made against advances when recovery is doubtful. In addition, general provisions are maintained to cover losses which, although not specifically identified, are known to be present in any loan portfolio. A number of complex and changing factors are collectively weighed by management in determining the adequacy of the provisions. These factors include management's views of the extent of existing risks in the loan portfolio and of prevailing economic conditions.

The aggregate provisions which are made during the financial period (less amounts released and recoveries of bad debts previously written off) are charged against operating income. Doubtful debts are written off in part or in whole when the extent of the loss incurred has been determined.

#### **Finance leases**

Leases are accounted for as finance leases where the minimum lease payments receivable, discounted at the prevailing interest rate, amount to substantially all of the fair value of the equipment on lease at inception.

The difference between the total of the minimum lease payments receivable and the fair value of the equipment on lease at inception represents finance income which is recognised over the period of the lease so as to give a constant rate of return on the investment in the lease.

The investment in finance leases is stated at the total of the minimum lease payments receivable under such leases less finance income allocated to future periods.

#### **Operating leases**

All other leases are classified as operating leases. Equipment on an operating lease is capitalised as a fixed asset and is stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis to write off the cost over the primary lease term.

#### **Arranged leases**

Arranged leases are operating leases where prior to commencement of the lease, the group sells the rental stream of the primary lease period to a financial institution. The Group generally retains its interest in the residual benefits of the leased equipment after the end of the primary lease period.

The residual benefits are attributed a residual value which, based on management's experience and judgement, is the minimum prudently expected to be realisable after the end of the primary lease period. Residual values are regularly reviewed and are stated at the revised attributed values.

The difference between the proceeds from the sale of the rental stream and the cost of the leased equipment (net of the residual value) is included in turnover.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 1. ACCOUNTING POLICIES (CONTINUED)

#### **Derivatives (off-balance sheet financial instruments)**

Transactions are undertaken in derivative instruments for trading and non-trading purposes. Derivative contracts include futures, options, currency and interest rate swaps and forward rate agreements. Trading derivatives are stated at market value at the balance sheet date. Resulting profits and losses are taken to income.

Interest rate swaps are used to hedge certain risks inherent in the Group's balance sheet. Profits and losses arising on these swaps, measured on an accrual accounting basis, are reported in net interest income as part of the yield on the hedged transaction.

#### **Taxation**

Corporation tax payable is provided on taxable profits at the current rate. Provision is made for deferred taxation to allow for timing differences between the recognition of certain items of income and expense for tax and accounting purposes, using the liability method. Deferred tax is calculated at the rate at which it is anticipated the timing differences will reverse.

#### **Pension plan costs**

Pension plan costs in respect of members of defined contribution (money purchase) schemes are charged to profit and loss as they fall due. The Group has both contributory and non-contributory schemes in operation.

The expected cost of pensions in respect of defined benefit schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes.

#### **Dealing properties**

Dealing properties are stated at the lower of cost and net realisable value.

#### **Parent company profit and loss account**

The company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its own profit and loss account. The company's profit for the period, determined in accordance with the Act, was £Nil.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 2. DEALING INCOME

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
Interest rate instruments	65
Foreign exchange contracts	274
Equities	1,106
	<u>1,445</u>

### 3. ADMINISTRATIVE EXPENSES

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
STAFF COSTS	
Wages and salaries	16,361
Social security costs	1,474
Other pension costs	1,249
AUDITORS' REMUNERATION	
Audit services	198
Other services	26
OTHER OPERATING EXPENSES	<u>14,542</u>
	<u>33,850</u>

#### AVERAGE NUMBER OF EMPLOYEES

The average number of persons employed by the group during the period was made up as follows:-

	<i>Number</i>
Commercial and private banking	192
Corporate finance and institutional broking	108
Property and equity investment	24
Wholesale markets	48
Private client stockbroking	396
Asset management	268
Central services	112
	<u>1,148</u>

Other pension costs include £420,000 in respect of defined benefit schemes, which arose on the acquisition of Investec Group (UK) PLC (formerly Guinness Mahon Holdings PLC) on 31 December 1998. The scheme, which is a non-contributory defined benefit scheme, was last valued as at 31 December 1996 by a qualified actuary. Scheme assets are held in separate trustee administered funds. The pension cost relating to the scheme was determined using the attained age method. The assumptions which had the most significant effect on the results of the valuation are those relating to the real rate of return on investments both before and after retirement. In the valuation it was assumed that the investments would earn a rate of return of 1.75% per annum in excess of the rate of growth of salaries up to the normal retirement date. The market value of the scheme's assets as at 31 December 1996 was £52,454,000 and the actuarial value of those assets represented 120% of the value of the liabilities in respect of the benefits that had accrued to members after allowing for expected future increases in earnings.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 4. EMOLUMENTS OF DIRECTORS

	1999 £000 Group
<b>All directors</b>	
Aggregate emoluments (excluding pension contributions)	168
Pension contributions to company schemes	13
	<u>181</u>
<b>Highest paid director</b>	
Aggregate emoluments (excluding pension contributions)	69
Pension contributions to company schemes	5
	<u>74</u>
 Number of directors in pension schemes	 <u>5</u>

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £000 Group
Corporation tax	2,602
Deferred taxation	600
Overseas tax	219
	<u>3,421</u>

As a result of the utilisation of tax losses brought forward and Group relief, the effective rate of corporation tax, based on the profit on ordinary activities (having added back the amortisation of goodwill), is, at 26.0%, lower than the standard rate. The overseas taxes represent those paid by the Jersey, Guernsey and Swiss subsidiaries, which do not form part of the UK tax group. At the balance sheet date, the Group has carried forward tax losses amounting to £46,957,000. The majority of these losses arise from Guinness Mahon & Co Limited and, in future years, may only be used against a proportion of the taxable profits arising from banking and treasury activities.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 6. SEGMENTAL AND CURRENCY ANALYSIS

*Substantially all of the business of the Group is transacted within the United Kingdom and all segments were acquired during the period.*

1999

£000

Group

#### Operating income

Commercial and private banking	7,607
Corporate finance and institutional broking	4,737
Property and equity investment	13,827
Wholesale markets	3,356
Private client stockbroking	11,818
Asset management	8,678
Central	(2,690)
	<u>47,333</u>

#### Profit on ordinary activities before taxation

Commercial and private banking	1,359
Corporate finance and institutional broking	1,040
Property and equity investment	8,939
Wholesale markets	1,493
Private client stockbroking	1,703
Asset management	710
Central	(2,074)
Amortisation of goodwill	(2,884)
	<u>10,286</u>

#### Total assets

Commercial and private banking	991,018
Corporate finance and institutional broking	90,595
Property and equity investment	193,931
Wholesale markets	4,443,917
Private client stockbroking	431,359
Asset management	28,716
Goodwill	172,108
	<u>6,351,644</u>

#### Net assets

Commercial and private banking	280,951
Corporate finance and institutional broking	3,878
Property and equity investment	106,352
Wholesale markets	50,898
Private client stockbroking	14,339
Asset management	11,170
	<u>467,588</u>

#### Total assets currency analysis

Denominated in sterling	5,899,917
Denominated in foreign currencies	451,727
	<u>6,351,644</u>

#### Total liabilities currency analysis

Denominated in sterling	5,945,577
Denominated in foreign currencies	406,067
	<u>6,351,644</u>

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 7. CASH AND BALANCES AT CENTRAL BANKS

Cash and balances at central banks comprise balances with central and other banks, money at call, and at short notice, including deposits placed with banks with a maturity of less than eight days from the balance sheet date. The Group is required to maintain balances with the Bank of England which amount to £296,000 at the balance sheet date.

At the year-end, £21,551,000 was held in escrow in respect of the sale of a former subsidiary, being subsequently released in May 1999, and £20,741,000 was held on blocked deposit to secure the deferred purchase consideration expiring in December 2000 for the buy out of a minority interest.

### 8. TREASURY BILLS AND OTHER ELIGIBLE BILLS

The Group held eligible bills amounting to £62,405,000 within its trading book. The unrealised gain included in the carrying value of the bills amounts to £212,000.

### 9. LOANS AND ADVANCES TO BANKS

	<i>1999</i> <i>£000</i> <i>Group</i>
<b>Remaining maturity:</b>	
Eight days to three months	527,789
Three months to one year	194,398
	<u>722,187</u>
 <b>Loans and advances to banks comprise:</b>	
Trading book	606,916
Banking book	115,271
	<u>722,187</u>

Included in loans and advances to banks are trading book loans of £606,916,000 which are secured with UK Government securities under sale and repurchase agreements.

### 10. LOANS AND ADVANCES TO CUSTOMERS

	<i>1999</i> <i>£000</i> <i>Group</i>
<b>Remaining maturity:</b>	
Demand to three months	552,757
Three months to one year	194,511
One year to five years	154,985
Over five years	141,231
Provision for bad and doubtful debts (Note 11)	(32,762)
	<u>1,010,722</u>
 <b>Loans and advances to customers comprise:</b>	
Trading book	589,386
Banking book	421,336
	<u>1,010,722</u>

Included in loans and advances to customers are loans of £287,996,000, which are secured with UK Government securities under sale and repurchase agreements.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 11. PROVISION FOR BAD AND DOUBTFUL DEBTS

	<i>Specific 1999 £000 Group</i>	<i>General 1999 £000 Group</i>	<i>Total 1999 £000 Group</i>
At beginning of period	-	-	-
Charged against income	251	236	487
Purchased	26,132	7,162	33,294
Exchange adjustments	(112)	-	(112)
Utilised	(907)	-	(907)
Transfers	(807)	807	-
At end of period	<u>24,557</u>	<u>8,205</u>	<u>32,762</u>

Included within the period end specific provision is an amount of £372,000 of interest in suspense.

The profit and loss account charge is stated net of an amount of £75,000 in respect of the recovery of a debt previously written off.

### 12. DEBT SECURITIES

	<i>1999 £000 Group</i>
<b>Dealing and market making securities (at market value)</b>	
Unlisted bank and building society certificates of deposit	<u>3,186,379</u>
	<u>3,186,379</u>
<b>Investment securities (at cost)</b>	
Unlisted bank and building society certificates of deposit	265,774
Other unlisted debt securities	<u>6,867</u>
Total debt securities	<u>3,459,020</u>

No dealing and market making securities have a maturity date more than one year from the balance sheet date. The cost of dealing and market making securities has not been disclosed, as it cannot be determined without unreasonable expense.

The investment securities are held in the banking book and are mainly short term in nature. The book value of these securities does not differ materially from the market value.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 13. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

*The Group's share of net assets of associated undertakings is as follows:*

	1999 £000 Group
At beginning of the period	-
Acquisitions	6,641
Share of profits after tax	593
At end of period	<u>7,234</u>

There is no material difference between the interest set out above and the interest on an unmodified historical cost basis.

*The principal associated undertaking is:*

	Activity	Group % Interest
Strategic Value Corporation (registered in Canada)	Asset Manager	21.1%

The Group's interest is held by subsidiary undertakings of the Company.

### 14. SHARES IN GROUP UNDERTAKINGS

	1999 £000 Company
At beginning of period	-
Acquisitions	462,332
Disposals	-
At end of period	<u>462,332</u>

*The principal subsidiary undertakings of the Group given below are 100% owned and registered in England and Wales and incorporated in the United Kingdom, unless otherwise stated.*

Principal operating subsidiary	Country	Nature of business
Investec Group (UK) PLC **		Holding company
Investec Bank (UK) Limited		Banking
Investec Asset Finance PLC		Leasing
Investec Bank (Jersey) Limited	Jersey	Banking
Guinness Mahon Guernsey Limited	Guernsey	Banking
Bank Guinness Mahon Flight AG	Switzerland	Banking
Henderson Crosthwaite Institutional Brokers Limited		Institutional stockbroking
Investec Group Investments (UK) Limited		Investment holding company
Investec Property PLC		Property investment and management
Carr Sheppards Crosthwaite Limited		Private client stockbroking
Investec Guinness Flight Limited		Fund management
Investec 1 Limited		Holding company
Guinness Mahon & Co Limited		Holding company
Guinness Mahon Holdings Limited		Holding company
Guinness Mahon Group Limited		Holding company

All the above subsidiary undertakings are included in the consolidated financial statements.

\*\* - The sole directly held subsidiary of Investec Holdings (UK) Limited.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 15. EQUITY SHARES

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
<b>Trading securities (at market value)</b>	
Listed on a recognised UK exchange	33,186
<b>Investment securities (at cost)</b>	
Listed on a recognised UK exchange	2,875
Unlisted	49,999
	<u>86,060</u>

The book value of the investment securities does not differ materially from the market value.

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
<b>Investment securities</b>	
At beginning of period	-
Acquisitions	86,060
At end of period	<u>86,060</u>

### 16. INVESTMENT PROPERTIES

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
At beginning of period	-
By transfer or acquisition	74,248
Revaluation reserve movement	(1,783)
At end of period	<u>72,465</u>

Investment properties are represented by freehold properties of £72,465,000. The investment properties were valued at 31 March 1999 on an open market basis for existing use at this amount by directors of a subsidiary company in accordance with the RICS Appraisal and Valuation Manual. These directors are members of the Royal Institution of Chartered Surveyors.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 17. INTANGIBLE FIXED ASSETS

	1999
	£000
	Group
<b>Goodwill</b>	
At beginning of period	-
Acquisitions	174,992
Amortisation	(2,884)
At end of period	<u>172,108</u>

The fair values attributed to the net tangible assets acquired were:

	<i>Investec Holdings (UK) Limited</i>	<i>Guinness Mahon Holdings PLC</i>	<i>Elimination of intragroup items</i>	<i>Total</i>
	£000	£000	£000	£000
Treasury bills and other eligible bills	19,454	-	-	19,454
Loans and advances to banks	278,405	158,703	-	437,108
Loans and advances to customers	1,638,700	79,718	(1,000)	1,717,418
Debt securities	3,165,252	122,085	-	3,287,337
Investment and trading securities	17	197,690	-	197,707
Tangible fixed assets	7,904	10,777	-	18,681
Other assets	88,630	133,171	-	221,801
Total assets	5,198,362	702,144	(1,000)	5,899,506
Deposits by banks	(1,323,812)	(38,063)	-	(1,361,875)
Customer accounts	(3,331,585)	(236,128)	-	(3,567,713)
Other liabilities	(374,293)	(221,685)	-	(595,978)
Subordinated loans	(85,072)	(1,000)	1,000	(85,072)
Minority interests	-	(1,528)	-	(1,528)
Fair value of net assets	<u>83,600</u>	<u>203,740</u>	<u>-</u>	<u>287,340</u>
Consideration	75,332	387,000	-	462,332
Goodwill arising on acquisition	<u>(8,268)</u>	<u>183,260</u>	<u>-</u>	<u>174,992</u>

Since acquisition, Investec Holdings (UK) Limited and Guinness Mahon Holdings PLC have changed their names to Guinness Mahon Holdings Limited and Investec Group (UK) PLC, respectively.

The book values of the assets and liabilities acquired do not differ materially from the fair values. Goodwill is being amortised evenly over the directors' estimate of useful economic lives ranging from ten to twenty years.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 17. INTANGIBLE FIXED ASSETS (continued)

The acquisitions of Investec Holdings (UK) Limited, Guinness Mahon Holdings PLC and Investec 1 Limited count as substantial acquisitions under the terms of FRS 6. Consequently, the summarised profit and loss account for the period from the beginning of its financial year to the date of acquisition for each of these groups is given below, as is the profit after tax and minority interests for the previous financial year.

	<i>Investec Holdings (UK) Limited</i>	<i>Guinness Mahon Holdings PLC</i>	<i>Investec 1 Limited (formerly Hambros Plc)</i>
	£000	£000	£000
Beginning of financial period	1 April 1998	1 January 1998	21 June 1998
Effective accounting date of acquisition	31 December 1998	31 December 1998	31 December 1998
Operating income	<u>41,393</u>	<u>71,358</u>	<u>21,579</u>
Profit / (loss) on ordinary activities before tax	8,184	(46,761)	17,445
Tax on profit / (loss) on ordinary activities	<u>(2,909)</u>	<u>(1,637)</u>	<u>(5,419)</u>
Profit / (loss) before minority interest	5,275	(48,398)	12,026
Minority interest	<u>-</u>	<u>(78)</u>	<u>(260)</u>
Net profit / (loss) for the period	<u>5,275</u>	<u>(48,476)</u>	<u>11,766</u>
Previous financial period end	31 March 1998	31 December 1997	20 June 1998
Profit / (loss) after tax and minority interests	<u>2,622</u>	<u>(11,316)</u>	<u>(13,800)</u>

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 18. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Operating leased assets</i>	<i>Freehold property</i>	<i>Leasehold Property</i>	<i>Leasehold improve- ments</i>	<i>Furniture, fittings and motor vehicles</i>	<i>Computer Equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Cost or valuation:</b>							
At beginning of period	-	-	-	-	-	-	-
By transfer or acquisition	6,173	7,200	31	563	1,911	2,803	18,681
Additions	1,093	-	-	9,570	2,372	2,371	15,406
Disposals	(166)	-	-	-	(73)	-	(239)
At end of period	7,100	7,200	31	10,133	4,210	5,174	33,848
<b>Depreciation and amortisation:</b>							
At beginning of period	-	-	-	-	-	-	-
Charge for period	(126)	-	-	(18)	(232)	(244)	(620)
Disposals	-	-	-	-	-	-	-
At end of period	(126)	-	-	(18)	(232)	(244)	(620)
Net book value							
At end of period	6,974	7,200	31	10,115	3,978	4,930	33,228
Net book value							
At beginning of period	-	-	-	-	-	-	-

The depreciation and amortisation disclosed in the consolidated profit and loss account do not include the charge for the period on operating leases, which is included in other operating income.

Following the period end, the freehold property was transferred at book value from Investec Bank (UK) Limited to Investec Property Developments Limited, a property dealing company, which has subsequently negotiated the sale of the property for an amount of £8,120,000.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 19. OTHER ASSETS

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
Settlement debtors	218,844
Prepayments and accrued income	32,115
Tax credit recoverable	338
Dealing properties	8,714
Other debtors	22,319
	<u>282,330</u>

### 20. DEPOSITS BY BANKS

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
<b>With agreed maturity date or periods of notice, by remaining maturity:</b>	
Repayable on demand	1,227,858
Demand to three months	1,055,569
Three months to one year	775,500
	<u>3,058,927</u>
<b>Deposits by banks comprise:</b>	
Trading book	2,890,580
Banking book	168,347
	<u>3,058,927</u>

Trading book deposits by banks include deposits of £2,722,611,000 secured with UK Government securities under sale and repurchase agreements.

Dealing and market making securities with a value of £84,450,000 are used to secure deposits by banks.

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 21. CUSTOMER ACCOUNTS

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
<b>With agreed maturity date or periods of notice, by remaining maturity:</b>	
Repayable on demand	1,396,799
Demand to three months	499,551
Three months to one year	52,022
One year to five years	31,797
Over five years	2,258
	<u>1,982,427</u>
Trading book	1,404,648
Banking book	577,779
	<u>1,982,427</u>

Trading book deposits by customers include deposits of £574,371,000 secured with UK Government securities under sale and repurchase agreements.

Dealing and market making securities with a value of £103,600,000 are used to secure deposits by customers.

### 22. OTHER LIABILITIES

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
Settlement creditors	556,190
Short positions in securities	8,332
Provision for deferred tax	1,874
Current corporation tax	11,626
Amount payable to an associated company	634
Amount payable to parent company	6,551
Accruals and deferred income	79,254
Other creditors	92,153
	<u>756,614</u>

# Investec Holdings (UK) Limited

(formerly Investec Group (UK) Limited, formerly Broadheath Investments Limited)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1999

### 23. SUBORDINATED LOANS

	<i>1999</i> <i>£000</i> <i>Group</i>
<b>Variable rate notes</b>	
At beginning of period	-
By transfer and acquisition	85,072
Movements during the period	-
At end of period	<u>85,072</u>

£48,548,000 of the loan capital, on which interest is payable at the rate of sterling LIBOR plus 3.75%, is held by Investec Finance SA, a company wholly owned by the ultimate parent company. The loans can be terminated by the lender giving five years and two days notice. At the balance sheet date no such notice has been received.

£10,000,000 of the loan capital, on which interest is payable at the rate of sterling LIBOR plus 0.1875%, is held by Investec N.V., a company wholly owned by the ultimate parent company. The loan can be terminated by the lender giving five years and two days notice. At the balance sheet date no such notice has been received.

£26,524,000 of the loan capital, on which interest is payable at the rate of sterling LIBOR plus 2.00%, is held by Investec Finance SA. The loans can be terminated by the lender giving formal notice and in any event shall be redeemed in full on or before November 2041. At the balance sheet date no such notice has been received.

Claims in respect of the subordinated loan capital are not secured and are subordinate to the claims of all other creditors.

### 24. CALLED UP SHARE CAPITAL

	<i>1999</i> <i>£000</i> <i>Company</i>
<b>Authorised</b>	
Ordinary shares of £1 each – 1,000,000,000	<u>1,000,000</u>
<b>Issued, allotted and fully paid</b>	
At beginning of period	-
Issued during the period	462,332
At end of period	<u>462,332</u>

On 23 September 1998 the Company was incorporated with a fully paid up share capital of £2, comprising 2 shares of £1 each issued at par.

During the period the company issued 462,332,018 ordinary shares of £1 each at par with a nominal value of £462,332,018 for the purpose of acquiring subsidiary undertakings.

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## NOTES TO THE FINANCIAL STATEMENTS

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### 25. RESERVES

<i>Group</i>	<i>Revaluation reserves on investment properties</i>	<i>Legal and other reserves</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>1999 £000</i>	<i>1999 £000</i>	<i>1999 £000</i>	<i>1999 £000</i>
At beginning of period	-	-	-	-
Retained profit for the period	-	-	6,865	6,865
Currency translation differences	-	-	(57)	(57)
Legal reserves	-	231	-	231
Revaluation of properties	(1,783)	-	-	(1,783)
Transfer between reserves	(426)	-	426	-
At end of period	<u>(2,209)</u>	<u>231</u>	<u>7,234</u>	<u>5,256</u>

### 26. RECONCILIATION OF SHAREHOLDERS' EQUITY

	<i>1999 £000 Group</i>	<i>1999 £000 Company</i>
Retained profit for the period	6,865	-
Currency translation differences	(57)	-
Revaluation of investment properties	(1,783)	-
Increase in legal reserve	231	-
New share capital subscribed	462,332	462,332
Opening shareholders' equity	-	-
Closing shareholders' equity	<u>467,588</u>	<u>462,332</u>

### 27. STOCK BORROWING AND LENDING

	<i>1999 £000 Group</i>
Stock borrowed against non-cash collateral	<u>5,284,779</u>
Stock lent against non-cash collateral	<u>5,001,794</u>

The Group borrows and lends stock against cash and non-cash collateral. The cash collateral is included on the balance sheet as appropriate in either loans, deposits or customer accounts.

Non-cash collateral is in the form of gilts, equities, certificate of deposit and other equivalent stock.

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### 28. CONTINGENT LIABILITIES

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
Guarantees and irrevocable letters of credit	33,518
	<u>33,518</u>

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date. Group companies have given indemnities and warranties on the sale of investments for which appropriate provision has been made.

### 29. COMMITMENTS

	<i>1999</i>
	<i>£000</i>
	<i>Group</i>
Forward repurchase agreements	221,276
Undrawn facilities	26,760
	<u>248,036</u>

The Group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business. The Group has given commitments totalling £23,607,000 in respect of private equity funds.

### 30. FINANCIAL INSTRUMENTS

#### FRS 13 disclosure

Certain disclosures are required by FRS 13 and are included in the Risk Management Review section of the financial statements on pages 6 to 9.

#### Fair values

The Group's trading book comprises treasury bills, settlement accounts, debt securities, equity shares, short positions in securities, and derivatives as well as secured customer loans and deposits. All amounts are included in the balance sheet at fair value.

The fair values of listed and publicly traded securities held for non-trading book purposes (comprising debt securities and equity shares) are disclosed under the relevant balance sheet note. The fair values of other non-trading book balances approximate to their carrying value in the balance sheet where a liquid and active market exists as defined by FRS 13. All other non-trading book balances are traded in liquid and active markets.

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### 31. DERIVATIVES (OFF-BALANCE SHEET FINANCIAL INSTRUMENTS)

The Group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging balance sheet foreign exchange and interest rate exposures. The trading derivatives are financial futures and options, interest rate swaps and forward rate agreements. All futures and option contracts are exchange traded. The non-trading derivatives for hedging include currency and interest rate swaps, foreign exchange contracts, spot and forward, and forward rate agreements.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The replacement cost represents the cost of replacing contracts with positive values calculated at market rates current at the balance sheet date. The credit risk weighted amount, which is calculated according to rules specified by the Financial Services Authority, is based on the replacement cost, but also takes into account measures of the extent of potential future credit exposure and the nature of the counterparty.

The notional principal amounts of derivatives held by the Group as at 31 March 1999 are as follows:

<i>Group</i>	<i>Notional principal amounts 1999 £000</i>	<i>Credit risk weighted amounts 1999 £000</i>	<i>Positive fair values 1999 £000</i>	<i>Negative fair values 1999 £000</i>
<b>Trading derivatives</b>				
Interest rate contracts				
Futures	2,133,000	(63)	2,029	(2,345)
Options	5,389,500	66	4,036	(3,707)
	<u>7,522,500</u>	<u>3</u>	<u>6,065</u>	<u>(6,052)</u>
Effect of netting			(5,736)	5,736
Amounts included in other assets / liabilities			<u>329</u>	<u>(316)</u>

<i>Group</i>	<i>Up to 1 year 1999 £000</i>	<i>1-5 years 1999 £000</i>	<i>Total 1999 £000</i>
<b>Non-trading derivatives</b>			
Interest rate contracts:			
Caps	1,054	2,000	3,054
Interest rate swaps	39,651	54,244	93,895
	<u>40,705</u>	<u>56,244</u>	<u>96,949</u>
Forward foreign exchange rate contracts	<u>581,556</u>	<u>-</u>	<u>581,556</u>

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## NOTES TO THE FINANCIAL STATEMENTS

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### 31. DERIVATIVES (OFF-BALANCE SHEET FINANCIAL INSTRUMENTS) (continued)

The risk weighted amount and replacement costs of these contracts, all of which are over-the-counter with financial institutions, are as follows:

<i>Group</i>	<i>Risk weighted amount 1999 £000</i>	<i>Replacement cost 1999 £000</i>
<b>Non-trading derivatives</b>		
Exchange rate related contracts	2,959	7,845
Interest rate related contracts	333	1,277
	<u>3,292</u>	<u>9,122</u>

Included in these amounts are £59,550,000 notional principal of interest rate contracts held to hedge risks inherent in the Group's balance sheet.

### 32. OPERATING LEASE COMMITMENTS

The Group has an annual commitment of £6,535,000 in respect of operating leases expiring in a period greater than five years.

### 33. RELATED PARTY TRANSACTIONS

As the Group is a 100% subsidiary undertaking, and consolidated financial statements for its ultimate parent, Investec Holdings Limited, are publicly available, group transactions have not been disclosed pursuant to the exemptions permitted in FRS 8.

### 34. ULTIMATE HOLDING COMPANY

The ultimate parent company, and controlling party, is Investec Holdings Limited, a company incorporated in the Republic of South Africa and quoted on the Johannesburg Stock Exchange.

The consolidated financial statements of the ultimate parent are available to the public and may be obtained from Investec Group Limited's principal place of business: 100 Grayston Drive, Sandown, Sandton, 2196, South Africa, or from Investec Bank (UK) Limited at 2 Gresham Street, London EC2V 7QP.

Consolidated financial statements have also been prepared for the immediate parent of the Company, Investec Finance S.A., a company incorporated in the Grand Duchy of Luxembourg.

The Group has taken advantage of the exemption in FRS 1 (revised) not to present its own cash flow statement. The Company's ultimate holding company, Investec Holdings Limited, registered in South Africa includes a cash flow statement in its published financial statements.